From: David Page <dpage@mkblaw.net>
Sent: Saturday, September 2, 2006 9:30 AM
To: Richard Bishop <rcbishop@wisc.edu>
Cc: David Chapman <DChapman@stratusconsulting.com>
Subject: RE: More on Economics

Thanks, Rich for the materials and for the context and focus you added
in your email... very helpful. David.
David P. Page
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Phone: (918) 584-2001
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dpage@mkblaw.net
-----Original Message-----
From: Richard C. Bishop [mailto:rcbishop@wisc.edu]
Sent: Friday, September 01, 2006 5:30 PM
To: David Page
Cc: David Chapman" <
Subject: More on Economics
David, it was good to talk with you this morning. I decided to add a
bit to
what David Chapman sent you recently on stated preference methods
including
contingent valuation. As we talked in the van during our recent trip,
you
mentioned that it would be helpful if I could point you toward specific
references within some of the more general documents we would send you.
The DOI guidelines for damage assessment that David C. sent (CERCLA NRDA
Regs.pdf) do not go into much detail. On p. 86, they simply say,
(vii) Contingent valuation methodology--(A) The contingent valuation
methodology includes all techniques that set up hypothetical markets to
elicit an individual's economic valuation of a natural resource. This
methodology can determine use values and explicitly determine option and
existence values. This methodology may be used to determine lost
use values of injured natural resources.
[59 FR 14286, Mar. 25, 1994]
(B) The use of the contingent valuation methodology to explicitly
estimate
option and existence values should be used only if the authorized
official
determines that no use values can be determined.
We have never known quite what Part B means or why it's in there. Why
should being able to measure use values rule out option and existence
values
(i.e., nonuse or passive use values)? But I thought you should know
it's

EXHIBIT
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5
Chapman

EXHIBIT B

there.
In the OPA rules that David C. sent, see particularly "valuation
approach"
on p. 453. See also the discussion of contingent valuation, conjoint
analysis, and benefits transfer starting on p. 469 (p. 31 as the pdf
file
measures pages). Don't miss the "response" in the third column of p.
470-471, since it addresses reliability of contingent valuation as well
as
conjoint and benefits transfer. Contingent valuation is also mentioned
briefly in Appendix B, p. 499.
David C. also sent you the Report of the NOAA Panel, which you may want
to
read completely through.
Here I have attached more stuff for your reading pleasure. First, I
promised to send you USEPA's take on the usefulness of stated preference
methods. The version I have is from 2000, but to my knowledge, it
hasn't
been revised so I think this is the latest word. Start on p. 83.
David also sent you one web address for OMB guidance on economic
analysis.
You can find brief reference to contingent valuation in Section III.B.4.
A
more detailed and up-to-date treatment is given in OMB Circular No. A-4,
which is attached. You might start skimming for context on p. 18, and
stated preference methods are addressed in some detail beginning on p.
22.
It is important to take OMB seriously. Under a number of Executive
Orders
starting with Reagan, most federal agencies are required to do
regulatory
impact assessments on actions with significant economic impacts
including
benefit-cost analyses. OMB writes to rules for how these are to be done
and
thus swing a big stick in this area.
More soon.
--Rich
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EXHIBIT B
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